

Message Text

CONFIDENTIAL

PAGE 01 JAKART 04931 141059Z

11

ACTION EA-09

INFO OCT-01 ISO-00 EB-07 L-03 SS-15 INR-07 SP-02 SSO-00

INRE-00 /044 W

----- 060838

O 140925Z APR 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC IMMEDIATE 3842

C O N F I D E N T I A L JAKARTA 4931

STADIS////////////////////////////////

E.O. 11652: GDS

TAGS: ENRG, ID

SUBJECT: INDONESIAN-CALTEX NEGOTIATIONS

REF: (A) JAKARTA 4855, (B) JAKARTA 4922

1. NEW OFFER BY CALTEX DATED APRIL 14 PROVIDED ECONOMIC/
COMMERCIAL COUNSELOR BY CALTEX SHAREHOLDERS REP ROBERT H.
MARTIN REPRODUCED BELOW WITH NOTE FROM MARTIN AS FOLLOWS:

"THEY REJECTED THIS OFFER ALSO. WILL KEEP YOU
ADVISED."

TEXT:

"PROF. DR. IR. MOH. SADLI
MINISTER OF MINES
REPUBLIC OF INDONESIA

DEAR PROFESSOR SADLI:

P.T. CALTEX PACIFIC INDONESIA AND ITS SHAREHOLDERS
CONTINUE TO BE MOST CONCERNED ABOUT THE STATUS OF THE DISCUS-
SIONS BETWEEN US AND WISH TO UNDERTAKE EVERY EFFORT TO REACH
A MUTUALLY ACCEPTABLE AGREEMENT ON THESE MATTERS. BECAUSE
OF THE SERIOUSNESS OF THESE MATTERS, THE CHAIRMEN AND CHIEF
EXECUTIVE OFFICERS OF TEXACO INC. AND STANDARD OIL COMPANY
OF CALIFORNIA ADDRESSED A COMMUNICATION TO HIS EXCELLENCY
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 JAKART 04931 141059Z

PRESIDENT SUHARTO. IN THAT COMMUNICATION THEY INDICATED

THAT CPI WAS PREPARED TO SUBMIT A RENEWAL OF THE OFFER MADE APRIL 11 UNDER WHICH INCREASED PAYMENTS WOULD ACCRUE TO THE GOVERNMENT. WE ATTACH TO THIS LETTER A COPY OF THAT PROPOSAL AND URGE YOUR RECONSIDERATION OF IT. THE PROPOSAL WAS PREPARED AND DEVELOPED WITH THE FULL PROSPECT OF MEETING THE GOVERNMENT'S INDICATED OBJECTIVE OF INCREASED REVENUES IN THAT, WHILE THE PROPOSAL CALLED FOR ADDITIONAL PER BARREL INCOME TO THE GOVERNMENT, IT WAS ANTICIPATED CPI WOULD ALSO BE ABLE TO EXPAND OPERATIONS AND INCREASE LIFTINGS, THEREBY FURTHER INCREASING REVENUES TO THE GOVERNMENT.

AS AN ALTERNATIVE, WE SUBMIT THE FOLLOWING ELEMENTS OF A PROPOSAL WHICH PROVIDES FOR GREATER PER BARREL INCOME TO THE GOVERNMENT:

1. CPI WILL MAKE AN ADDITIONAL PAYMENT TO THE GOVERNMENT OF \$1.00 PER BARREL ON ALL OF PERTAMINA'S CONTRACT OF WORK ARTICLE 6A "IN KIND" LIFTINGS AND ON ALL OF THE COMPANIES' EXPORTS TO THE EASTERN HEMISPHERE.

2. CONTINUATION OF THE DECEMBER 30, 1974 ADDITIONAL PAYMENTS AGREEMENT.

3. ADDITIONAL PAYMENTS TO THE GOVERNMENT ON THE COMPANIES' EXPORTS TO THE WESTERN HEMISPHERE. AS TO THESE PAYMENTS, DISCUSSIONS WILL BE UNDERTAKEN, AS YOU HAVE SUGGESTED, TO ARRIVE AT A MUTUALLY AGREED ADDITIONAL PER BARREL AMOUNT.

AS AN INDICATION OF ITS DESIRE TO ARRIVE AT AN AGREED AND MUTUALLY ACCEPTABLE SOLUTION TO THE PRESENT DISCUSSIONS, CPI IS MAKING PROVISIONAL PAYMENT ON APRIL 15 IN THE AMOUNT OF \$46,346,320 CALCULATED ON THE ELEMENTS OF THIS PROPOSAL. FOR PURPOSES OF THIS PAYMENT, CALCULATIONS UNDER ITEM 3. ABOVE HAVE BEEN MADE ON THE BASIS OF \$0.75 PER BARREL ON CRUDE OIL DELIVERED TO THE WEST COAST OF THE UNITED STATES, INCLUDING HAWAII, AND \$0.25 PER BARREL ON CRUDE OIL DELIVERED TO THE EASTERN PART OF THE AMERICAS. IF WE SHOULD REACH A DIFFERENT RESULT AS A CONSEQUENCE OF OUR DISCUSSIONS THE NECESSARY ADJUSTMENTS WILL, OF COURSE, BE MADE

AS A RESULT OF THE NEW BURDENS INCURRED BY CPI UNDER
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 JAKARTA 04931 141059Z

THIS ALTERNATIVE PROPOSAL, COUPLED WITH THE ALREADY DOUBTFUL COMPETITIVE NATURE OF OUR INDONESIAN CRUDE OIL EXPORTS WITH THOSE BOTH OF COMPETITIVE CRUDE OILS ORIGINATING IN OTHER COUNTRIES AS WELL AS WITH OTHER CRUDE OILS BEING EXPORTED FROM INDONESIA, NO LIFTING OR INVESTMENT COMMITMENTS CAN BE UNDERTAKEN AT THIS TIME. OF COURSE, WE WILL CONTINUE TO ACT RESPONSIBLY IN THE INTEREST OF THE GOVERNMENT AND OF THE ENTERPRISE.

THESE PROVISIONAL PAYMENTS, GOING BEYOND THE TERMS
OF ANY AGREEMENTS NOW EXISTING BETWEEN US, DO NOT, AS YOU
WILL RECOGNIZE, CONSTITUTE A WAIVER OF ANY OF THE COMPANY'S
RIGHTS UNDER THE PRESENT AGREEMENTS.

THE FOREGOING PROPOSALS ARE MADE IN DEMONSTRATION OF
OUR SINCERE DESIRE TO REACH A MUTUALLY ACCEPTABLE, NEGOTIATED
RESOLUTION OF THE CURRENT DISCUSSIONS.

VERY TRULY YOURS,
P.T. CALTEX PACIFIC INDONESIA

J. TAHIJA

CHAIRMAN MANAGING BOARD"
NEWSOM

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PETROLEUM PRODUCTION, AGREEMENTS, NEGOTIATIONS, DIPLOMATIC COMMUNICATIONS, TAX COLLECTIONS, PROFIT SHARING, CONTRACTS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 APR 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976JAKARTA04931
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760141-0406
From: JAKARTA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760463/aaaacbrx.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: STADIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: STADIS
Reference: 76 JAKARTA 4855, 76 JAKARTA 4922
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 24 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24 MAY 2004 by greeneet>; APPROVED <20 SEP 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INDONESIAN-CALTEX NEGOTIATIONS
TAGS: ENRG, ID, US, TEXACO, CALTEX, (MARTIN, ROBERT H), (SADLI, MOHAMMAD)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006